G1200-4

INSIDE: Truck Stops · Gambling Trips · Show Schedule

JULY 1985

Incentive Marketing

INCENTIVE TRAVEL

TRAVEL FACTS:

Setting Sights on Sales

Luggage Carries On

INCENTIVE MARKETING

July 1985

MARKET REPORT: Radio Activity

Is gambling a gamble for your group? IM looks at how planners incorporate casino gambling into their incentive programs. *See page 51.*

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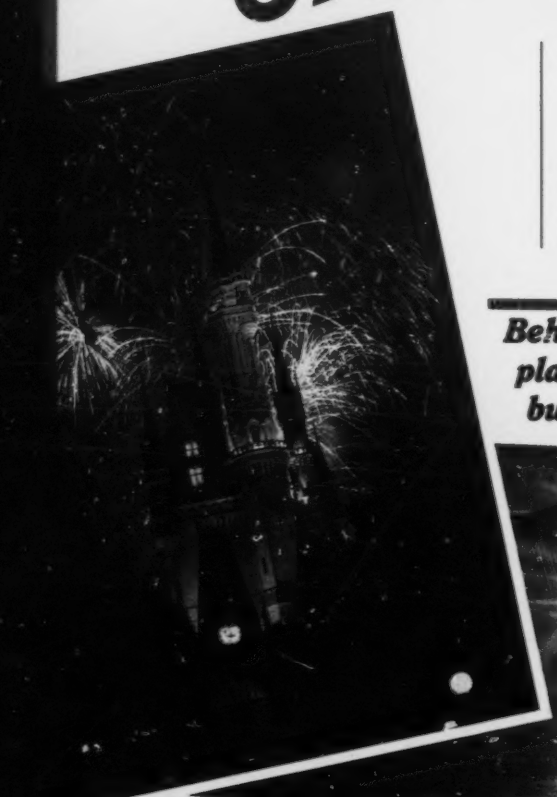
WORLD TRAVEL SURVEY

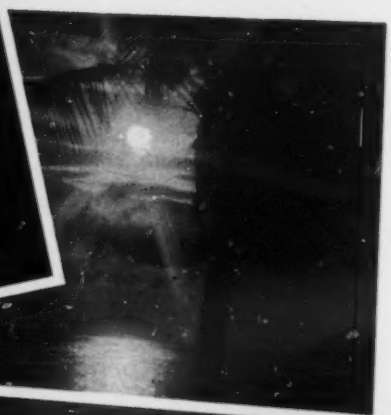
Setting Sights on Sales

The word "travel" is a variant of "travail, "meaning hard work.

Incentive travel may seem like more fun than work when the trip takes place but it definitely derives from the travail of salespeople, middlemen and sales executives.

Behind the fun of travel planning lay serious business objectives.





And it pays off handsomely—more so each year—for everyone. **Incentive Marketing's** latest survey of incentive travel users clearly supports this trend and also shows that use of this motivational device continues to climb at a pace similar to that of 1984, when marketers spent an estimated $1.4 billion to send their best people to faraway places, 17.5–percent more than they paid for winners' trips the year before.

More than two-thirds of the users reported they are increasing their incentive travel budgets this year: 68 percent for sales force programs and 67 percent for dealer campaigns; only 11 percent in each case are cutting back this year.

This survey is based on responses from 252 companies, of which 213 gave estimates of their expenditures for both 1984 and 1985. About 93 percent of them use travel for salespeople, more than in previous studies, and 47 percent conduct dealer trip promotions. The excess over 100 percent represents users who target both groups.

Sales incentive users show the highest level of activity, with reports increasing this year by 23.9 percent over 1984. On the dealer side, respondent firms report they are spending 11.1–percent more this year. Overall, the expenditures of this limited group are increasing this year by 17.3 percent, virtually the same as the buildup in 1984 over the previous year.

TOP 10 INCENTIVE TRAVEL USERS: 1984

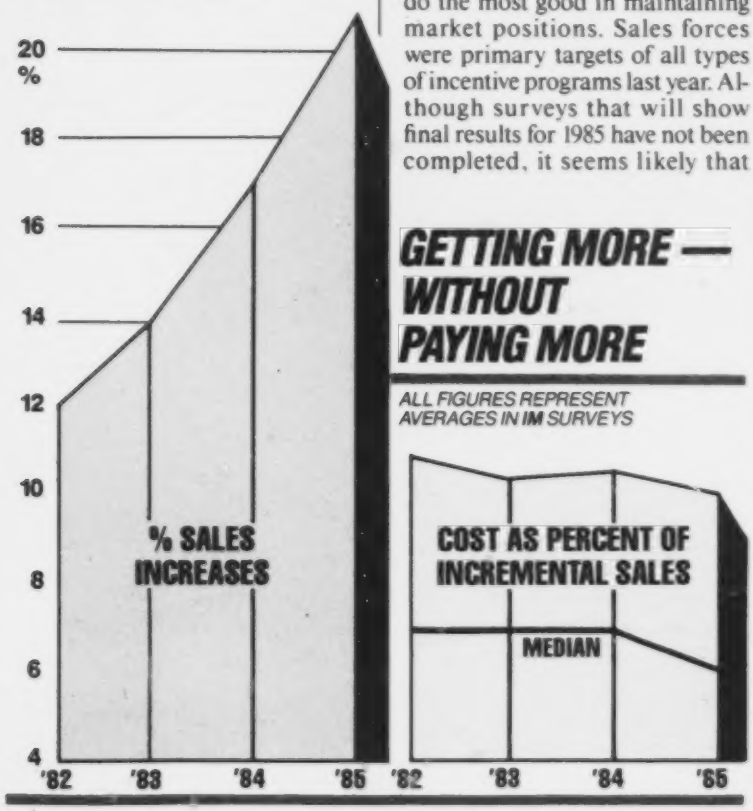
INSURANCE	$193,243,000	+19.6%
ELECTRONICS, RADIO & TV	$137,553,000	+16.4%
AUTO PARTS, TIRES, ACCESSORIES	$135,437,000	+23.4%
AUTOMOBILES & TRUCKS	$122,125,000	+22.8%
FARM EQUIPMENT	$ 86,512,000	+12.5%
HEATING & AIR CONDITIONING	$ 81,231,000	+15.1%
OFFICE EQUIPMENT	$ 64,950,000	+19.1%
ELECTRIC APPLIANCES	$ 51,389,000	+14.3%
TOILETRIES & COSMETICS	$ 41,230,000	+19.1%
BUILDING MATERIALS	$ 40,146,000	+ 6.6%

After a couple of years in which the travel field shared the fate of the entire incentive business, just barely keeping up with inflation in the dollar growth reported, 1984 brought a sharp upturn.

Sales force travel incentive programs again outstripped the dealer category last year, gaining 21.3 percent while dealer programs moved up 13.8 percent. As the economy turned around, many marketers applied the major effort to the first line of distribution, the sales organization, to get their share of the new business.

This year, with the economy cooling off, many clearly continue to believe that the sales force can do the most good in maintaining market positions. Sales forces were primary targets of all types of incentive programs last year. Although surveys that will show final results for 1985 have not been completed, it seems likely that merchandise programs also will continue to advance more on the sales force side than in dealer campaigns. When selling becomes difficult, many executives turn to salespeople for solutions.

Even in a fairly flat economy, travel can motivate effectively. However, during the worst recession years, travel programs—many of them lasting six months or a year—often cannot generate and sustain sales growth.



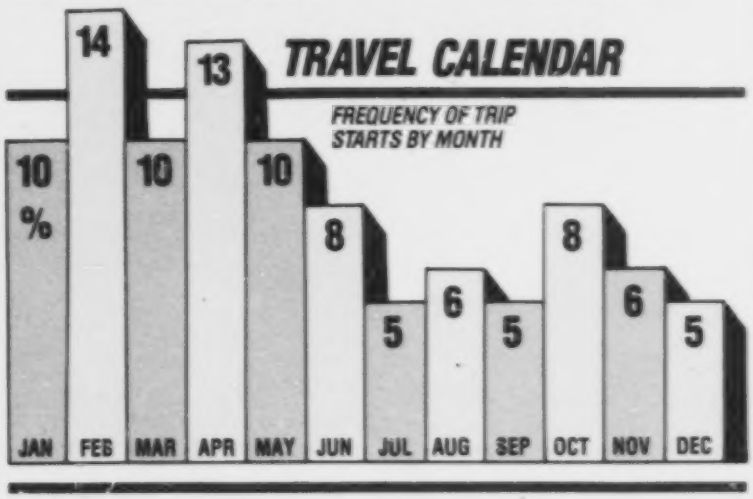
In 1984, incentive spending picked up and sales followed suit, particularly in sales force campaigns. Most of the principal user industries hiked travel expenditures. The top 10 incentive travel buying industries remained the same except for a small change in the bottom two positions, where toiletries and cosmetics moved ahead of the depressed building materials field. These top 10 user industries (see adjacent table) accounted for 67 percent of all travel expenditures last year, the largest concentration of activity among a leading group in the entire incentive field.

Five of the top users' budget increases were well above the overall average of 17.5 percent, with expansion at rates from 19.1 percent to 23.4 percent. Only the building materials category dragged its feet significantly, boosting travel spending only 6.6 percent. The biggest travel user of all, insurance, jumped an estimated 19.6 percent last year, adding over $32 million to its promotional travel tab.

The year 1984 also was the first to see sales incentive travel exceed expenditures for dealer programs — by $723 million to $700 million; 10 years earlier, only 41 percent of travel expenditures were aimed at sales forces.

In the latest special survey on incentive travel, users show this same emphasis: a heavy volume and buildup in sales incentive programs. And company sales forces

were the most-mentioned target, indicated by 78 percent, compared with only 66 percent in a similar study a year ago. Others listed were retail salespeople, 16 percent; distributor sales personnel, 13 percent; direct selling people, 16 percent; and independent sales reps, 22 percent. Retailers were the audience for 31 percent of the users' promotions, and 21 percent aimed them at distributors. Non-selling personnel were offered travel by 12 percent.



Among other findings in this survey:

- **More use merchandise.** For the first time in IM's surveys, a majority of 55 percent say they include merchandise awards in travel campaigns. Just a year ago, only 45 percent gave the same response.
- **Groups are getting larger.** But fewer run them. Only 54 percent of these executives prefer group trips, with the rest favoring individual travel awards. But the groups, after a couple of reports in which their average size had dwindled, are now larger—an average of 148 people, with the median at 75. The average stay is 5.7 nights, and the median 5.
- **Domestic sites continue to gain.** The surveyed executives said they concentrate their entire travel budgets on domestic destinations in 42 percent of cases. Exactly half that number, 21 percent, go exclu-

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To describe Rio de Janeiro really isn't necessary - it is one of the world's most beautiful cities and Latin America's meeting point. And the Rio Palace is Rio's best hotel and one of the world's "Top Twenty". Deluxe rooms and prestigious location just in front of two world-famous beaches: Copacabana and Ipanema.

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Circle No. 149 on Buyer Action Card

Unit costs for trips have risen only 8 percent in 1985, much lower than in past years.

sively to foreign locales. Of the remaining 37 percent who vary their diet, the indicated budget split, on the average, is 59-percent domestic, 41-percent foreign.

• **Qualification rates are holding.** On the average, 31 percent of those eligible earn trips from these marketers, the same result as in last year's study, but much better than the 24 percent found in 1983.

• **Sales results are best in years.** These companies are experiencing in their most recent programs an average 21–percent growth in sales volume, compared with the 16.7 percent they say they had in their last previous campaigns. (A like group of executives last year averaged 17.7 percent in sales gains.)

• **But results cost less.** The cost of an incentive program in relation to incremental sales had held at a median of 7 percent the past three years, with the averages at 11 percent, 10.5 percent and 10.6 percent, respectively. In this survey, however, the average has taken another dip to 10.1 percent of the extra sales gained during a campaign, and the median has slid to 6 percent.

• **Unit costs are up a little.** The actual per-person outlay for an incentive trip has increased among these users by about 8 percent over what their counterparts said in 1984 — to $1,421. But the median, the middle cost paid by the "typical" user within the range, stayed at $1,200. The low-end spenders who can manage a trip costing under $500 per person have dwindled from 10 percent to 7 percent, but more than three out of 10 can still get by for less than $1,000 a head. Yet 27 percent of the executives now spend more than $1,800 per person, compared with 20 percent who went that high last year.

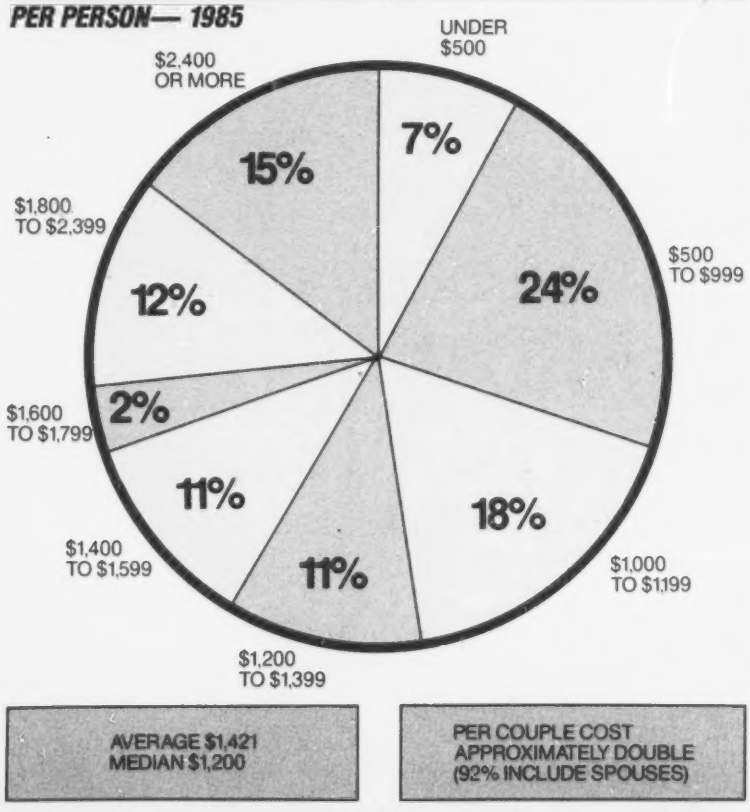
The actual unit cost of an award is usually close to twice the per-person figure, with 92 percent in this survey offering trips including spouses. (They used to be called "wives," now the term spouses is giving way to friends or guests in some cases.)

Whatever the trip cost, it is clear that most users want to pay for the entire trip and include only fully qualified participants. The controversial practice of buy-ins, permitting those who don't quite make the grade to pay for at least a portion of the trip, has been declining in favor. Two years ago, 37 percent of surveyed executives allowed the practice; last year, the total dropped to 32 percent. In this survey, only 24 percent said they permit buy-ins. Where permitted, only 19 percent of the travelers use the option, up slightly from the 15 percent reported a year ago.

Fewer respondents in this survey conduct group trips, as compared with individual awards, as noted above. This trend has caused a reduction in companies' ability to conduct sales meetings on-site. A year ago, 68 percent of survey respondents included meetings, spending an average of 8.2 hours on business in

COST OF INCENTIVE TRIP

PER PERSON— 1985



the course of a trip. The present group runs meetings in only 54 percent of cases—but those who do it work just as hard, 8.5 hours per trip.

Incentive travel is a way of life for about one out of three of those surveyed: 33 percent of them have programs that run 52 weel s or longer; some last up to a year and a half. The incidence of year-long campaigns dropped from a year ago, when 41 percent followed the practice, an all-time high.

Planning time now runs about the same as it has in the recent past: 38 weeks, on the average, before the actual start of the trip. Planning time, of course, runs longer for those with year-long programs, to enable them to announce plans more than a year in advance. But the average selling period, despite the one-third of respondents with very long programs, is 29 weeks, about the same as it has been for some time (a year ago it averaged 28 weeks).

With a selling period that long, or up to a full year or more, precise marketing objectives may be subordinated to simply bringing in dollars or moving product units. Niceties of fine-tuned goals

With the economy cooling off, many users are focusing on their sales staffs.

are not in the cards if you have to map your strategy a year or a year and a half before kickoff. Thus the objective of increasing overall volume, always important, is especially prevalent among incentive travel users. In this survey, it was selected by 77 percent; a year ago, with somewhat more long-term users, 81 percent cited the objective of volume-building.

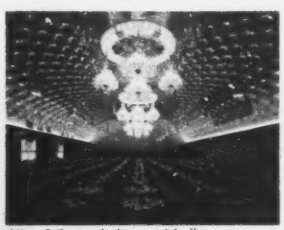
Other goals, of course, can enhance both the promotion and the rules of a campaign, and most users address them to some extent. The runner-up in popularity this year, as usual, is improving morale and good will: 48 percent consider it an important end. Another 38 percent embrace the familiar favorite of introducing new products, common to all types of incentive usage.

Other objectives cited by survey respondents include: move full line or slow items, 24 percent; offset competition, 22 percent; bolster slow season, 17 percent; build dealer traffic, 15 percent; prepare for strong season, 10 percent and support consumer promotion, 10 percent.

Regardless of goals, a key question is where in the world to take top producers? The problem is "selecting destinations," says William Bell,

The place to go for a big welcome in Japan.

Two modern hotels located next to a beautiful, spacious Japanese garden



"Hiten," the main banquet hall

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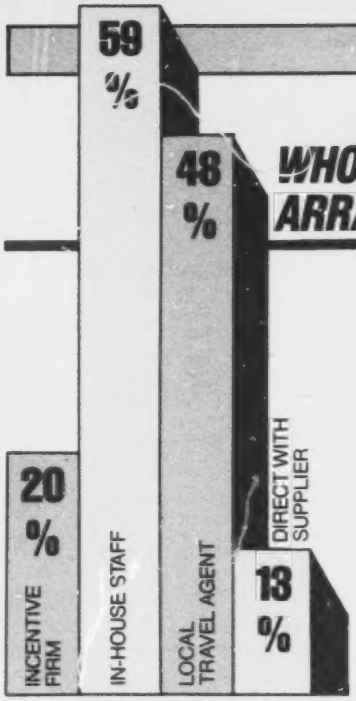
Circle No. 142 on Buyer Action Card

WHO MAKES TRIP ARRANGEMENTS?



(1985 SURVEY REPORT EXCEEDS 100% BECAUSE OF MULTIPLE RESPONSES)

director of marketing at Brennan Industries, a Solon, Ohio, machinery maker. There are "so many marvelous offerings it is difficult to anticipate participants' preferences so that maximum stimulation for the incentive program is realized."

Richard Lauderdale, sales promotion manager of Helene Curtis Industries Inc., Chicago, also finds trouble in "coming up with an exciting enough destination with a budget of $2,000 per person or less that will top the trip our competitors are running. Our distributors are very well-traveled and just coming up with new and enticing destinations" is a major challenge.

There are, of course, thousands of places to go. In the past few years, more programs have used domestic sites than foreign, although leaving the country is still very much in vogue. Florida is the top destination in the present survey, as it was a year ago for the first time—having edged Hawaii as the top U.S. choice. Hawaii is still No. 2 in the United States. Mexico is the top foreign selection.

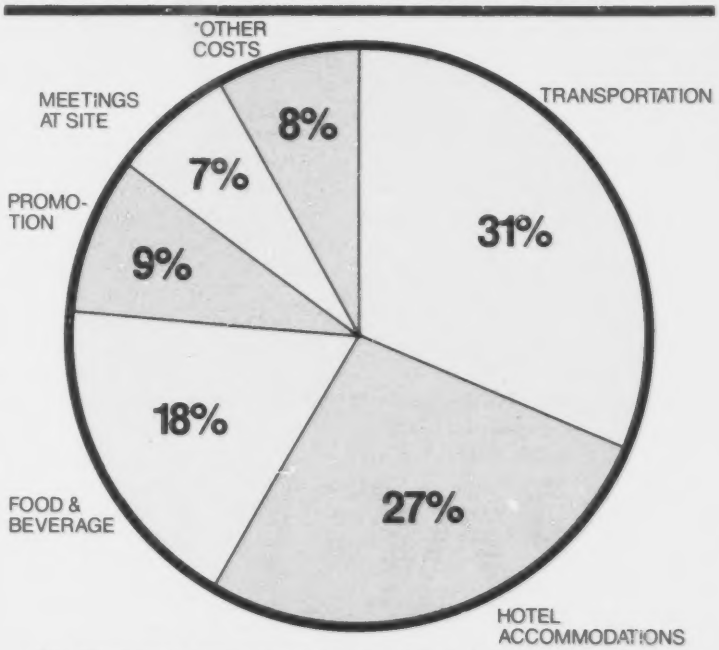
The hundreds of destinations chosen by these survey respondents (thousands if you consider all the variations within each area) represent a very wide range; and the list could be multiplied several times.

But there are problems just in sifting the possibilities. "Finding a variety of hotels large enough to hold our conferences of 400 people year after year without returning to places is very hard, keeping within our budget," says an executive of one of the largest insurance companies. His three-night programs are for salespeople only and involve 15 hours of meetings, mostly in domestic locations. With a seven-figure budget, he should be able to find enough places, but the years eat up the choices.

A smaller insurance company has a bigger problem in trying to obtain "minimal travel cost for the 40 individuals converging on a central site. We usually have to limit our site selections to those where the airlines offer deals—Florida cities, New Orleans and so on."

Crossing national boundaries can be a problem for many executives, but a pharmaceutical executive conducting programs for Asian groups may have a bigger problem. Geoffrey Harding of the Asian division of Baxter-Travenol Laboratories Inc., Deerfield, Ill., runs educational meetings for small groups—10 to 12 people—without spouses. But they run from 10 to 14 nights in length and cost about $5,000 per person. Included are about 25 hours of meeting time. He has used destinations

WHERE THE TRAVEL BUDGET GOES



**INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT, ETC.*

in Florida, Hawaii, Japan and San Francisco. But in Japan the itinerary is "just typed," without "pre-trip puff." And he has trouble "finding enough out about good restaurants in cities which I can't visit beforehand. We need restaurant review books available to planners." He also has to watch for such details as when guests will arrive or pay for hotel services, "since Japanese still usually don't carry credit cards as security."

The selection of an incentive destination hinges largely on the program budget, and that is where the planning process must begin for most users. In the current survey, 66 percent of the executives report they use a "special budget set in advance." Another 19 percent take the money from regular promotion funds and 15 percent base the budget on a sales forecast for the period. Only 6 percent indicated they budget by "percent of added sales," or open-ended programs.

Yet, in response to another question, 63 percent say their promotions are open-ended and that "all who reach specified goals earn trips," while the remainder of

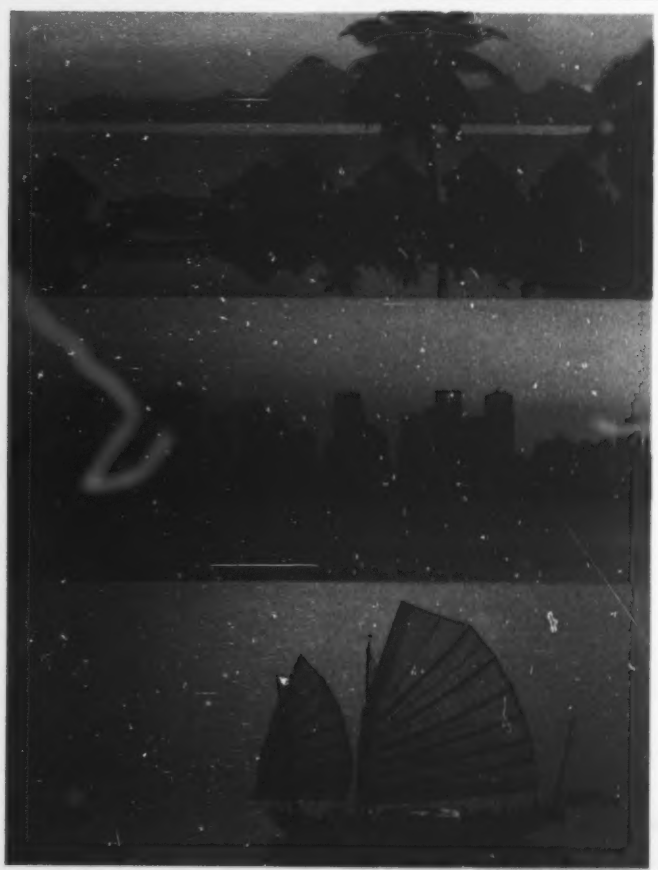
While the number of respondents who use group trips has declined; the size of the average group has risen.

37 percent say they work from a "predetermined number of winners." The question arises: how can the program be "open-ended" if the budget isn't? The answer, evident from comments by a number of users, is that the campaign is in fact open-ended, and the budget, the users hope, will cover whatever cost is incurred. If the budgeted sums do not provide for all winners, then there is a frantic sharpening of pencils or shuffling of feet in the boss' office.

The happy part of the answer is that running over budget because of excess winners also means "excess" sales, and most companies can live with that. Thus the budget must be a flexible working tool.

Division of the budget among program cost elements has changed very little in recent years; all costs have tended to rise together. In this year's survey, transportation takes 31 percent of the total average cost, one point lower than a year ago. Promotion also is down a point, from 10 percent to 9 percent. The difference is consumed by food and beverage costs, now 18 percent of the total compared with 16 percent last year. (See chart on page 38.)

In writing incentive campaign



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Canada	Pan Pacific Vancouver Hotel (January, 1986)
Singapore	Pan Pacific Singapore (March, 1986)
Malaysia	Pan Pacific Kuala Lumpur (November, 1985)
	Pan Pacific Resort Pangkor (December, 1985)
	Pan Pacific Inn Malacca (December, 1985)
	Pan Pacific Bayview (April, 1987)
	Pan Pacific Kuching (late 1987)
	Genting Highlands Resort Penang
Micronesia	Palau Pacific Resort (Koror)
Thailand	Royal Cliff Beach Hotel (Pattaya)
	Indra Regent Hotel (Bangkok)
Indonesia	Sari Pacific Jakarta
Korea	Kyongju Tokyu Hotel
Bangladesh	Sonargaon Hotel (Dhaka)
South Pacific	Hotel Le Lagon (Port Vila, Vanuatu)

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rules, the most common practice, chosen by 50 percent of the executives, is to set quotas based upon sales forecasts—which, in turn, are reflected in the budget. Another 30 percent start with the budgeted expenditure and work back to set quotas to earn the sales and profits needed; 10 percent say they use other methods, and 10 percent did not answer the question.

There is a weakness in tying awards to a budget, as experienced by a Midwestern food distributor who says, "Our travel incentive budget is very limited. The distinction between our winners and

DESTINATIONS SELECTED

CITIES CITED ONCE NOT INCLUDED

DOMESTIC -
(371 responses)

72 - FLORIDA
- 6 - Orlando
- 3 - Marco Island
- 2 - Amelia Island
- 2 - Key West

66 - HAWAII
- 3 - Maui
- 2 - Honolulu

58 - CALIFORNIA
- 13 - Los Angeles
- 12 - San Francisco
- 10 - Lake Tahoe
- 4 - San Diego
- 3 - Palm Springs
- 2 - Napa Valley

37 - NEVADA
- 30 - Las Vegas
- 4 - Reno

28 - ARIZONA
- 11 - Phoenix
- 3 - Tucson
- 2 - Scottsdale

12 - TEXAS
- 3 - Dallas
- 2 - Houston

11 - PUERTO RICO
- 3 - San Juan

8 - NEW JERSEY
- 8 - Atlantic City

8 - VIRGIN ISLANDS
- 6 - St. Thomas

7 - NEW YORK
- 5 - Manhattan

7 - MISSOURI
- 3 - Lake of the Ozarks
- 3 - St. Louis

7 - PENNSYLVANIA
- 2 - Philadelphia
- 2 - Poconos

5 - TENNESSEE
- 4 - Nashville

5 - VIRGINIA
- 3 - Hot Springs
- 2 - Wintergreen

4 - ILLINOIS
- 3 - Chicago

4 - SOUTH CAROLINA
- 3 - Hilton Head

3 - COLORADO

3 - WASHINGTON
- 2 - Seattle

3 - WISCONSIN

2 - GEORGIA

2 - MASSACHUSETTS

2 - MICHIGAN

2 - MINNESOTA

2 - MISSISSIPPI
- 2 - Biloxi

2 - NORTH CAROLINA
- 2 - Myrtle Beach

1 - ALABAMA

1 - ALASKA

1 - CONNECTICUT

1 - INDIANA

1 - KANSAS

1 - KENTUCKY

1 - MARYLAND

1 - OHIO

1 - WASHINGTON, D.C.

1 - WYOMING

FOREIGN -
(314 responses)

69 - CONTINENTAL EUROPE

12 - ITALY
- 9 - Rome

10 - FRANCE
- 7 - Paris

10 - SPAIN

9 - GERMANY
- 2 - Munich

9 - SWITZERLAND

3 - HOLLAND

2 - AUSTRIA

2 - GREECE

1 - BELGIUM

1 - DENMARK

1 - MONACO

1 - PORTUGAL

1 - SWEDEN

69 - MEXICO
- 18 - Acapulco
- 8 - Cancun
- 5 - Puerto Vallarta
- 2 - Mexico City

49 - BRITISH ISLES

26 - England
- 18 - London

3 - Scotland

2 - Ireland

31 - BAHAMAS
- 7 - Nassau
- 2 - Paradise Island

24 - CARIBBEAN
- 10 - Jamaica
- 4 - St. Maarten
- 2 - Barbados

20 - BERMUDA

16 - CANADA
- 4 - Toronto
- 3 - Banff
- 2 - Quebec

14 - FAR EAST

6 - HONG KONG

5 - JAPAN

2 - CHINA

1 - MALAYSIA

1 - SINGAPORE

11 - CRUISES

4 - SOUTH AMERICA

2 - BRAZIL

1 - COLOMBIA

4 - AFRICA

2 - KENYA

2 - MIDDLE EAST

1 - EGYPT

1 - ISRAEL

1 - AUSTRALIA

those who place second, third, fourth and fifth is minimal. I can only send the winners; the problem is the frustration those non-winners experience—very demoralizing." Only 3 percent of eligibles earn this firm's trips, the most recent of which was a Hawaii event with spouses based on a 52-week sales period.

Michael Beardsley, director of sales for Marsellus Casket Company, Syracuse, N.Y., has an even tougher example of the same problem, with only a single winner earning his trips to such places as the Virgin Islands and Hawaii. One couple goes for a 10-day trip based on eight weeks of sales. Mr. Beardsley is looking for a solution: "So far we've allowed only one winner per program. The front-runners stay in pursuit, but those that trail early often give up. We will be considering a change in format for next year's travel programs."

That kind of program eliminates a major difficulty some users face: how many people are going on the trip? A Minneapolis food wholesaler cites this problem. He generally takes up to 60 percent of eligible people on his trips to places like Florida, Texas and California, but has trouble adjusting his budget because of late qualification by some of them. A Midwestern manufacturer notes "the high cost of any changes made in a program. It seems the hotels really put it to you if you add anything to a program."

More companies have increased use of merchandise in their travel programs.

Complaints of supplier handling are always a common element in the survey. "We almost always make our own arrangements for travel awards," notes Larry Smith, sales manager of Star Wood Finishing Products, Hinsdale, Ill., "because of the poor I-don't-give-a-damn attitude of travel agencies. Too many disappointments. We have never had a problem dealing directly with resorts, hotels and lodges."

With all of these obstacles, it's nice to find a respondent like the toiletries executive who, on our question about problems, said simply "We never think of it that way. The end is so great, we get by the problems."

But knowing how great the end is becomes still another problem the marketer must deal with. How do you evaluate the program after it's all over? Users apply a number

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New Zealand Incentive

IM124

Give me all the incentive I need to plan on New Zealand. Rush me your new, 20-page booklet containing complete information regarding incentive opportunities.

Name_____ Company_____

Title_____ Address_____

Colin Taylor/Incentive Travel Mgr., New Zealand Tourist Office, 10960 Wilshire Blvd., Ste. 1530, Los Angeles, CA 90024.

TRAVEL SURVEY

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of different yardsticks and often use a combination of them to measure their results. The most common criterion, mentioned by 58 percent in this survey, is total units or dollars of sales. The percentage of people reaching quota is the touchstone favored by 40 percent, while 19 percent look at increased market share. Some 18 percent analyze profit based on incremental sales, and 10 percent gauge branch or district performance.

Those who measure incremental sales are, it would seem, closer to a bottom-line reading of their results. And, with respondents spending the lowest percentage of incremental sales on travel programs in several years, users ought to be pleased.

They are spending, on average, $146,000 this year for sales force motivation through travel, and $302,000 in the dealer arena. Averages, of course, tend to hide the facts. The multi-million-dollar users are included, along with those who ante up $5,000 or $10,000 per person for incentive travel, and they tend to distort an arithmetic average.

Looking at median expenditures, those most typical of a middle-of-the-road type of user, the figures drop considerably. Given the median number of travelers, 75 people, and the median per-person cost, $1,200, it appears that the characteristic incentive travel user will spend about $90,000 this year.

Assuming companies spend a median of 6 percent of incremental sales on incentive travel, this technique is delivering about $1.5-million in extra sales for the middle-range company—sales volume that otherwise would not have been produced. ■

MAKE A STATEMENT.
SEE THE READER
COMMENT CARD,
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TRAVEL PLANNING

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trip will be perceived as you make it appear. . . so make it special. Be sure to have a good handle on the participants' demographics. Match the promotion to your audience. Monitor the program and at some point eliminate those who have no chance of winning from the mailings, to avoid adding insult to injury.

9. A memorable trip. Travel is one award you can offer that actually gets better year after year. It can be argued that a television set will eventually break. Money usually is spent on mundane things like car repairs. But travel is special, and companies can provide the trip of a lifetime. Make sure to provide a trip that the recipient simply could not duplicate on his or her own. Make it spectacular. Make it something people will never forget. Make people feel as if they're being treated like kings. You really have a chance to provide a lifetime experience and memory by doing your homework and being creative. The trip will be remembered long after the qualification period is forgotten. But don't forget to cover all the contingencies. Remember Murphy's Law.

Planning an incentive travel program is a lot like driving across America. It's a lot easier and a lot more rewarding if you know where you want to go and have a map to help you get there. ■

IM'S ANNUAL BUSINESS
GIFT UPDATE WILL
APPEAR IN SEPTEMBER
FEATURING A GALLERY
OF GIFT SELECTIONS.

RADIO ACTIVITY

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In another program, WEZE offers a 2-percent merchandising deal to certain clients, mostly national, who "spend quite a bit of money." The station spends 2 percent of the advertiser's dollars on "hard goods for their salespeople or a promotional item that we put our name and their name on," explains Mr. Reich.

"We have a full-time merchandising director who works with the clients," Mr. Reich continues. "We try to get them more than just radio time. We want to solve their problems and help them in whatever needs they may have. In many situations, not only does it serve to solve a promotional need for us, but it also assists a client."

Variations. Another type of radio sales incentive is KSSN's "Action Auction." In this recent event, advertisers received "funny money" as a reward for their first quarter spending. At a big Friday night banquet, attendees used their "money" to bid on $25,000 worth of prizes, most of which were obtained by the station in trades.

Perhaps the ultimate in radio merchandising hoopla takes place annually in New York City. In a major hotel, some 30 metropolitan area stations, rep firms and networks run carnival-like booths in a giant "Radio Festival." At most of the booths, minimal skill —if any—is required for guests to walk off with various station premiums.

The guests, of course, are mostly advertisers and ad agency executives. Last September, the eighth annual Festival—sponsored by NYMRAD, the New York Market Radio Broadcasters Association—attracted a record 1,730 attendees.

How much such a festival helps any particular station's ad sales is open to question. But it certainly can't hurt to have big spenders toting your bags, drinking from your mugs and wearing your shirts. ■